

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 000956

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: DECL: 07/29/2015

TAGS: [PGOV](#) [PREL](#) [PINR](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JULY 23-29

REF: A. ASUNCION 939

[1](#)B. ASUNCION 370

Classified By: DCM Kevin M. Johnson, for reasons 1.5 (b) and (d).

[1](#)1. (U) Summary

-- VP Castiglioni Meets with FBI Regional Director
-- Filizzola and President Duarte Discuss Key Issues
-- Cabral to Retire at Year's End
-- Deadly Hantavirus Reappears in the Chaco
-- Successful Conclusion to EXPO
-- Second Tier Public Bank Law Goes to President

VP Castiglioni Meets with FBI Legal Attach

[1](#)2. (U) On July 26, Vice President Luis Castiglioni met with Buenos Aires-based FBI Legal Attach William Godoy to discuss training and cooperation and follow-up on Castiglioni's June trip to Washington. Godoy reported the FBI plans to establish a Legal Attach office in fiscal year 2007, pend approval of funding. After the meeting, Castiglioni announced to press that Paraguay also will continue to receive security support from Colombia, as next week the Colombian Motorized Police will conduct training for Paraguayan National Police and Military components. Castiglioni also told the press that next week officials from the Center for Hemispheric Defense Studies will prepare for security seminar for senior Paraguayan officials.

Filizzola and President Duarte Discuss Key Issues

[1](#)3. (C) On July 25, newly elected Congress President Carlos Filizzola met with President Duarte to discuss the appointment of a new Attorney General and the passage of key legislation including money laundering and anti-kidnapping. Filizzola told the press after the meeting that he agreed with Duarte on the need for appointing a capable, respected individual to replace Attorney General Oscar Latorre, whose term is ending in August. Filizzola noted that a previously agreed political agreement not to reelect Latorre will be honored. (Comment: See ref A for more information on Duarte's top choices for the Attorney General position. New Justice and Labor Minister Ruben Candia appears to be Duarte's preferred candidate. End Comment.)

[1](#)4. (U) During the same meeting, Duarte reportedly asked Filizzola to expedite legislation relating to money-laundering, a U.S. priority.

Cabral to Retire at Year's End

[1](#)5. (C) The press reported this week that members of Congress are seeking to promote Aristides Cabral, a notorious corrupt police commander, to be the Chief of the Paraguayan National Police. President Duarte withdrew his request for Cabral's promotion last March, after Cabral's links with the Biera Mar drug trafficking organization became public (ref B). The Ambassador asked President Duarte on July 27 about the press story, and Duarte assured him that the press article was untrue. Duarte noted that Cabral will retire at the end of this year with 30 years of service and until then will remain on administrative leave.

Deadly Hantavirus Reappears in the Chaco

[1](#)6. (U) The deadly Hantavirus Pulmonary Syndrome (HPS) has claimed another life in the town of Fildelfia in the rural Chaco region. It had been two years since someone had died

of HPS. Over 200 people have been infected, with 21 deaths, since it was first discovered in Paraguay in 1987. Health officials expressed concern over the lack of adequate intensive care infrastructure to contain HPS in the Chaco. HPS is carried by a certain type of Chaco rodent, making rural field workers most susceptible, but it is not transmitted person-to-person. Originally thought to exist only in the U.S., HPS was first formally identified and investigated in Paraguay by a task force from the U.S. Centers for Disease Control in 1995.

Successful Conclusion to EXPO

17. (U) Paraguay's annual business and agriculture fair concluded on July 24. The EXPO is a county-fair style exposition that takes place in Asuncion, usually drawing participation from most large and medium sized businesses with operations in Paraguay. Initial reports claim that over 725,000 people visited this year's EXPO, sponsored by the Rural Association of Paraguay and the Paraguayan Industrial Union. This year's attendance increased by about 150,000 from 2004, despite several days of cold and rainy weather. Organizers highlighted the Industrial Pavilion as a great success with 55 companies participating, also an increase from last year. According to local news reports, the EXPO will be responsible for around US\$19 million in future investments and business agreements in Paraguay.

Second Tier Public Bank Law Goes to President

18. (U) On July 21, the Chamber of Deputies passed without modifications the second tier public bank law previously passed by the Senate. The law creates the Financial Development Agency (AFD), which will combine several smaller entities and act as the sole wholesale lender meant to channel long-term financing provided by the IFIs and other sources, such as the social security fund, to first-tier public and private banks. The IMF had previously indicated that it was satisfied with the version passed by the Senate, despite some changes from the version presented by the executive. The law exempts the bank from restrictions on refinancing and Basle guidelines on loan classification, but provides the executive with sufficient latitude to write the regulations implementing the law in such a way as to provide sufficient prudential safeguards.
KEANE